The infant formula market

- Three firms accounted for 98% of all sales in 2008:
  - Mead Johnson (Enfamil)
  - Abbott (Similac)
  - Gerber (Good Start)

- Most formula is:
  - Milk-based (80% of sales)
  - Powder (83% of sales)
    - 12-16 oz cans (70% of sales)

The infant formula market-cont.

- Demand for formula is decreasing
  - Number of births are decreasing
  - Breastfeeding rates are increasing

- WIC accounts for well over half of all U.S. formula sales
  - Estimated 57-68% of all formula sold in 2004-06
WIC infant formula contracts

Contracts are awarded to the manufacturer offering the lowest net price, where:

Net price = Wholesale price – Rebate

Final cost to WIC for a can of formula is:

Cost = Net price + Retail markup

(manufacturers)      (retailers)
Market share by WIC contract brand status in CA
12-16 oz milk-based powder


Market share of non-WIC size formula by contract brand status in CA (milk-based powder)


WIC food costs by food item, FY 2010 (estimated)


Average number of WIC participants supported by rebates, FY 1974-2014

Source: USDA, ERS calculations based on USDA, Food and Nutrition Service data.
Average change in real net price, wholesale price, and rebate, between current and previous contracts


Potential factors affecting net price

- Product innovations
- Economic conditions
- Changes in demand for formula
- Changes in WIC
- Number of firms bidding for WIC contracts
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